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BIG INDUSTRY IN CANADA

A Marxian Survey

by

EDWARD DAVIS

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Contents

Corrections

Page 12, line 20.	Instead of "besignec" read "designed."
Page 32, line 8.	Instead of "million" read "billion."
Page 43, line 10.	Instead of "dictators" read "directors."
Page 43, line 13.	Instead of "impossible" read "imposing."
Page 45, line 12.	Instead of "these" read "those."
Page 49, line 11.	Instead of "Cambrian" read "pre-Cambrian."
Page 49, line 12.	Instead of "weekly" read "were."
Page 50, line 36.	Instead of "Commission" read "Commissioner."
Page 50, line 37.	Instead of "J. H. Hirshom" read "J. H. Hirshorn."
Page 53, line 4.	Instead of "Branlorne" read "Bralorne."
Page 53, line 14.	Instead of "Budge River" read "Bridge River."
Page 58, line 5.	After the word "Department" add "refer to workers on a standard of living that is lower than that uses as the basis for a second cost-of-living table published by the Department."
Page 62, line 28.	After the phrase "the agency of" add the word "this."

Introduction

The greater part of this pamphlet appeared originally as a series of articles in Workers' Voice, monthly publication of the League for a Revolutionary Workers' Party, (Canadian section). When the series had been concluded, the organization decided to publish the articles in pamphlet form for wider distribution. With this in view, the articles were amplified and a concluding chapter added.

The pamphlet makes its appearance at a time when the conflict between capitalists and workers is sharply drawn in many countries. For twelve months now, the masses of Spain have been waging a bitter struggle against the fascist battalions of General Franco and of Hitler-Mussolini. Never in the history of mankind has a more terrible civil war been fought, never have the workers of any country displayed such great heroism. But, despite their great sacrifices, the victory of the Spanish workers is not assured. The tremendous aid Franco has been receiving from the two leading fascist powers has more than compensated for his lack of popular support in Spain. Had the Spanish workers received as much aid from the workers outside of Spain the fascists would have been beaten before now. That aid of the proper kind and on the required scale did not materialize is due entirely to the combined effect of "non-intervention" agreements sponsored by the major European imperialist countries and the Soviet Union, and the policy of "democracy vs. fascism" promulgated by the Socialist and Communist parties and the liberals both inside

and outside Spain. The two policies have succeeded in paralyzing the development of international working class solidarity with the Spanish workers. During the early months of the war, they were starved for arms, the pious "democrats" busying themselves with collecting food, clothing and medicine only. Of course such supplies were necessary but guns, ammunition and heavy armaments meant life or death for the anti-fascist cause. Little wonder, tens of thousands of workers in the Soviet Union, protesting against the passive Stalinist attitude, raised the cries of "Bombs not butter, aeroplanes not apples!" Their protest girdled the globe but was heeded only when Franco stood the before gates of Madrid. Because Spain stood then in immanent danger of becoming an Italo-German colony that would threaten British and French imperialist interests, the two great "democracies" raised the barriers a little. With kind imperialist permission, Stalin began to ship arms to Spain—for cash! That is the sordid and criminal truth about Soviet assistance.

Throughout the struggle the Socialist and Communist parties have faithfully comfined their activities within the limits of British imperialist diplomacy. The latter could wish for nothing better than to have the civil war portrayed as a struggle between democracy and fascism. Such a portrayal blurrs the class character of the war and prepares the workers to "fight for democracy" if the international situation should develop in a direction that should impel Britain and France to take up arms against Germany and Italy to preserve the colonial booty they won in previous wars. It is in this connection that this pamphlet serves an immediate need of the Canadian working-class. In keeping with the world-wide policy of the Communist International the Communist Party of Canada has become a champion of "democracy". Translated into the actualities of the Canadian scene, this policy urges the defence of Canadian capitalism because it is "democratic". No longer does the Communist Party talk of the socialist revolution, or the class-struggle. Both are forgotten in blind obedience to the ruling clique in Moscow that has become the most ferocious enemy of working class revolution. In the Soviet Union, Stalinism shoots thousands of revolutionary workers, wiping out the flower of the October revolution. In Spain, the Communist Party joins hands with the capitalist elements on the loyalist side to drown

in blood the revolutionary aspirations of the Catalonian workers. In Canada, the same party preaches love of one's country, class peace, passivity in the face of capitalist exploitation. In answer to this policy of betrayal, we present a true picture of democracy in Canada. Properly understood, it can lead to only one idea that is best stated as a paraphrase of a famous declaration once made by Lenin. Democratic capitalism is much to be preferred to fascist capitalism, but the true democracy of the proletarian dictatorship is a thousand times better than the most liberal capitalism.

Edward Davis.

June 1937

1
The Railways

NOTE: This chapter deals chiefly with the CPR and the CNR which operate about 92% of the railway mileage in this country. The remaining 8% is operated by such companies as the T and NO which is owned by the Province of Ontario, by American companies having short branch lines in Canada, and by a score of small companies operating in as many localities across the country. Electric street railways are also omitted from the discussion. E.D.

THE RULING CLASS of this country has set aside July 1. as Canada's birthday. On that day, when the working class gets another holiday without pay, flags wave across Canada to celebrate the anniversary of the formation of the political structure that made possible the building of transcontinental railways in this country.

It should not be thought that Confederation was, in any sense of the word, a revolutionary change. Feudalism in Canada was definitely vanquished by the British conquest of 1756-1763. That conquest signified not merely the transfer of territorial control from France to England but it was also an expression of the lustiness of the new order of society that was emerging in England — a society we now call capitalism — and a sign of the decay of feudalism which was not to be buried in France until 1789.

The hundred years following the capture of Quebec by the British were years of colonial exploitation of Canada by the English capitalist class. The movement for Confederation towards the end of that period was not founded upon a desire to shake off that yoke — it was a movement sponsored by the Canadian capitalist class, now come of age, which realized that its own interests could best be served by creating the most efficient political machinery for collaboration with English capitalism. As we shall see, the most urgent need of the newly-matured Canadian capitalist class was a transcontinental railway system and the chief immediate aim of Confederation was to lay the political foundations for such a system.

In the early days, before Confederation, the railway capitalists confined their operations to eastern Canada. Railway traffic was light and profits were meagre. The Grand Trunk Railway, built by British capital, found it increasingly dffiicult to meet expenses and, by the 1850's, was faced with bankruptcy. On the other hand, the owners of the railway saw visions of vast profits if only the western prairie lands could be opened up as a source of food supplies for England and Europe. But where to get the money? That was the crucial problem.

The rest of the bourgeoisie had their own fantastic pictures of the great profits to be derived from the trade with Europe but their hands were tied by lack of capital. There were English and American capitalists a-plenty who would put up the cash if only the appropriate guarantees could be given. The problem soon resolved itself into one of finding or creating a political organization large enough to finance the economic development of the country.

The histories record that Sir Edward Watkin, president of the Grand Trunk Railway in the 1850's was untiring in his efforts to bring about a political union of the various provinces which now constitute the Dominion of Canada. Most of the politicians of the day fell in with the idea for it was obvious to all businessmen of the time that capitalist industry could not develop without political unity. Disputes merely centered about the terms of the proposed union.

When the Articles of Confederation were finally ratified and

had passed into history as the British North America Act, all parties to the document had agreed that a railway system must be built stretching from the Atlantic to the Pacific. For this purpose, they created a federal government with sufficient powers to assure the railway promoters that neither they nor their children's children would ever have cause to regret their investment in Canadian railways.

As has always been the case under capitalism, this government-sponsored project was an invitation to financial sharp-shooters and grafters who do business on a large scale. Before the final documents were signed giving birth to the Canadian Pacific Railway, a political scandal on a national scale had enmeshed some of the more notable "Fathers of Confederation." But the CPR did not suffer. It came into being with gifts from the Canadian government of $25,000,000 in cash, 25,000,000 acres of the best prairie land, gifts of numerous branch lines and guarantees for millions of dollars to be borrowed in England and the United States. The transcontinental line of the CPR was completed in 1885, a feat made possible by the generous gifts of the government created by Confederation.

As the years passed, the government devoted itself increasingly to promoting the welfare of the share and bondholders of the CPR. Canada's tariff policy was fashioned with an eye to promoting an increased flow of railway traffic. The government advertised in all European countries for thousands of immigrants, for the purpose not only of providing the growing Canadian capitalist class with a super-abundance of labor power but also of settling the farm lands given to the CPR so that the West could ship large supplies of wheat and other grains over the lines of the newly built railway.

To-day, the CPR is the largest privately-owned railway company in the country, It operates over 17,000 miles of track and its interests extend far beyond the field of railroading into telegraphs, steamships, hotels and mines. At times, the profits from these have been on a tremendous scale. For example, the company's subsidiary, Consolidated Mining and Smelting Co. paid, for many years, dividends of 50% per year on its capital stock.

The CPR has had a long and profitable history. In the

twelve years, 1923 — 34, net profits amounted to $322,600,000 or an average of $26,883,000 per year! During this same period, the company paid dividends of more than $281,000,000 and interest to bondholders of over $180,000,000. The CPR is the richest corporation in the country boasting a surplus from past profits of about $158,000,000 and a surplus from the sale of lands of more than $116,000,000.

The reasons for the tremendous profits of the CPR have been well summarized in the following words by Canada's most eminent bourgeois economic historian:

"It has only been through extensive subsidies in land, money, government guarantees and railroad lines and by protection of its east and west traffic by means of tarrif and monopoly clauses that the CPR has been able to present a successful history." *

Government grants did not stop with the CPR. Railway promoters cast eager eyes on the plums being garnered by that company and a whole crop of them tried a hand at the game of building railways at government expense. The boom period that began a year after the Laurier government came into power in 1896 gave birth to a score of wild schemes besignec, superficially, to provide the country with adequate railroad facilities but initiated, in reality, with an eye to drawing out millions from the government treasury — funds, which in the last analysis, were derived from the laboring population.

By the time Laurier was thrown out of office in 1911, Canada had three transcontinental railways. When the boom period ended in 1912, every railway company but the CPR was losing money and, within a few years, bankruptcy appeared to be inevitable.

The net result of the railway boom and its subsequent collapse was the formation in 1917 of the Canadian National Railways. This organization includes all the railway companies which, by 1915, were bankrupt. The Dominion government, still playing Santa Claus to the capitalist class, decided to save the country's credit** by guaranteeing the stocks and bonds of these companies to the extent of several hundred million dollars.

* Dr. H. A. Innis "Government ownership in Canada"

** The phrase "save the country's credit" is very popular even to-day and may be defined as any act which guarantees to the capitalist class the fruits of its plundering of the masses.

The much-talked-about "railway problem" is nothing more nor less than the result of reckless railway promotion in the hey-day of Canadian development 1897—1912. The mess which the CNR is to-day and the contrasting prosperity of the CPR are both the result of the unbounded generosity of the Dominion government. The only difference is that the CPR promoters reached the government feed-bag first and consumed enough to carry it through many a lean year.

To-day the CNR is the largest railway company in the country but, in contrast with the CPR it has lost money every year since its incorporation. The total losses from 1923 to the end of 1934 exceed $700,000,000. These losses have been made good by the Dominion government and have been a partial cause of the great burden of taxation in this country. The bondholders of the bankrupt railways which now constitute the CNR receive every year millions of dollars taken from the meagre earnings of the laboring population by a score of burdensome indirect taxes.

The railway workers are the best organized section of the Canadian proletariat. The latest statistics show that, in 1930, 50,000 of them or 35% of the total number of steam railway workers were members of various "brotherhoods." These figures are a reflection on the backwardness of proletarian organization in this country, but compared with the figure of only 12% for the entire Canadian working class, the railway workers constitute the strongest pillar in the structure of Canadian trade-unionism.

The reactionary trade-union bureaucracy with its archaic principles of craft unionism must share the major portion of the responsibility for the low percentage of organized workers in the industry. On the other hand, many of the so-called "crafts" are practically 100% organized and this has been a tower of strength to the workers involved. It is not without significance that the best organized group of railway workers, the locomotive engineers, is the highest paid proletarian group in Canada. In unity there is not only strength but also higher wages!

The most recent reports show that the average wages of all railway workers were $1299 in 1933 as compared with $1485 in

1931 — a cut of $186. The following table gives a complete picture of the wage reductions in the railway industry:

AVERAGE YEARLY WAGES	1931	1932	1933
Engineers, conductors, etc.	$1903	$1714	$1592
Express workers	1574	1464	1386
Maintenance of equipment	1334	1238	1068
Maintenance of way	1126	1078	1048
General employees (office staffs)	1714	1636	1599
Average wages — all workers	1485	1391	1299

Not only have wages been cut but many thousands of railway workers have been thrown out of work during the depression. Between 1931 and 1933, the average number of railway employees was reduced by 33,000 or 20 per cent.

A quick study of these figures helps to explain how it was that with a small increase in railway traffic during 1934 the CPR was able to show a 500% increase in net profits — $6,469,790 in 1934 as compared with $1,257,161 in 1933. These are interesting facts which railway workers should bring to the attention of their unions.

Stated in its simplest terms, the bourgeoisie's "railway problem" is one of eliminating the tremendous losses of the CNR and making that organization a profit-making institution. It is apparent that it is a capitalist problem, one which the working class has no interest in solving. We have enough to do avoiding wage-cuts and fighting for relief without helping to solve the financial difficulties of the bourgeoisie.

But we have a definite interest in the railway problem because all of the more popular schemes for its solution aim to wipe out the losses by transferring the burden to the working class. For example, Beatty's scheme of railroad amalgamation involves *the firing of at least 20,000 railway workers and a drastic reduction of wages throughout the railway industry.* He is an ardent supporter of the movement for a National Government in this country because one of its chief aims is the conciliation of the various groups within the capitalist class that are, at present, opposed to railway amalgamation. That movement aims to create a railway monopoly which will not only fire thousands of workers and cut the wages

of all railway employees but also raise freight rates far above their present scale in order to restore profits.

The working class answer to the capitalist class is as follows: "You created for yourselves a railway problem by financing over thirty years ago a wild speculative boom in railroads that could only end in the bankruptcy of the weaker companies. You decided to 'honor' the stocks and bonds of these bankrupt companies at a cost of millions of dollars a year even though these same companies were subsidized in the first instance by your own federal government. Already, we, the working class have contributed, against our will, through heavy taxation and drastic wage cuts, millions of dollars towards the upkeep of your rotten railway system. And now you ask for more. You want us to solve the problem which you yourselves have created, you want 20,000 of our numbers to leave our jobs and those of us who remain at work to accept additional cuts in wages. Against all of your vicious plans, we protest with all our strength."

This is the spirit in which every worker must approach the bourgeoisie's "railway problem."

2
The Banking System

THE BANKING SYSTEM is the central and staunchest pillar in the Canadian capitalist structure. Natural as this is in an era when finance-capital rules the world, the fact assumes greater significance when it is realized that there has not been a single bank failure in Canada since 1923, whereas in the same period, hundreds of banks in the United States, Germany and Austria have closed their doors. The strength of the Canadian banking system is a result of the peculiar development of Canadian capitalism. That development is reflected in the peculiar character of almost all the large Canadian industries. In this chapter, we shall attempt to explain this unique characteristic of Canadian capitalism because it will help us to understand not only the nature of the present-day Canadian banking system but also the entire Canadian capitalist structure.

Space does not allow a detailed analysis of the growth of capitalism in this country, but we shall attempt to outline the main forces that have been at work.

The geographical features of Canada are responsible, in the first instance, for the fact that the country has been used by Europe since the 1600's as a source of staple commodities, such as furs, lumber and wheat. The late development of industry in Canada as compared with Europe or even the USA has been responsible, in the second instance, for the fact that Europe has

developed this country as a large-scale producer of these basic industrial commodities. Thus natural and historical features have made of Canada a country of a few large industries concentrated in a few hands.

It is for these reasons that Canada's large railway system is owned by merely two companies while in the USA there are a few hundred railway companies not one of which owns a complete transcontinental line. And it is for these reasons that there are only ten banks in Canada which operate, however, 3,600 branches, while in the United States, there are a few thousand banks none of which operates more than a handful of branches.

Canada has been developed by Big Business as an economic appendage of Europe and the USA. In this country, capitalism started big and merely grew bigger. That is why there is in this country two of the largest railway companies in the world, some of the world's largest flour mills, the largest paper industry in the world and three of the world's largest banks.

The "Big Three" (Royal Bank, Bank of Montreal and the Bank of Commerce) have capital and surpluses amounting to $179,000,000 while the remaining seven banks* have under these headings not quite $100,000,000.

Large as these figures are, they do not begin to disclose the power of the banks. While the capital and reserves of all Canadian banks amounts to about $279,000,000, their assets total $2,870,000,000! Almost $3,000,000,000 of the wealth of this country is *directly* controlled by the banks. It amounts to more than half the capital invested in all the manufacturing industries of Canada, or five times the money invested in the 98 pulp and paper plants in this country.

But this is not all. If the banks have direct control over almost three billion dollars, they control much more indirectly. Each of their directors is an industrial potentate of no small proportions. Here are some of them:

Sir Charles Gordon, Sir Herbert Holt, E.W. Beatty, Sir Joseph Flavelle, C.H. Carlisle, R.S. McLaughlin, R.H. McMaster, C.F. Sise, J.P. Bickell, G.H. Smith, J.S. McLean. One is president of the CPR,

* Nova Scotia, Dominion, Imperial, Toronto, Provincial Bank, Banque Canadienne Nationale, Barclay's of Canada.

another heads the Bell Telephone Co., a third the Steel Co. of Canada, a fourth General Motors of Canada, a fifth the Imperial Oil Co., and a sixth Canada Packers. Each is a titan in his own field and among them they control all the basic industries of Canada. The 160 bank directors in this country control directly at least 50% of Canadian industry, and through their many associates at least 75%. These bank directors are in turn controlled by a half dozen financiers whose names appear in the list given above. In few countries is capital more concentrated than in Canada, the country, par excellence, of Big Business.

The banks do business on a tremendous scale. Of the nearly three billion dollars of assets under their control, about 2400 million dollars consists of savings and other deposits and notes in circulation. This is the money with which the banks do business.

What do they do with these huge sums? First of all, they lend money to businessmen. On September 30th, 1934, these loans amounted to $981,000,000. Aside from the great influence over the thousands of companies who borrow money which these loans give the banks, there is each year a tidy profit from this business. The average rate of interest is about 6½% so that, in this way alone the banks collected in 1934, $63,810,000. They paid to depositors, let us say, 2%* — or $19,620,000, leaving a gross profit of over $44,000,000.

The loans to businessmen are sources of other income. The banks act as collectors of accounts, transfer agents and foreign exchange dealers. Each of these branches of banking bring in a tidy sum of money. Later in this article we shall have more to say about bank profits.

After lending almost a billion dollars to industry, the bankers have left another billion and a quarter for which they must find some profitable outlet. Workers may be unemployed but not capital — if the bankers can help it. And they do find excellent ways of using these funds, as we shall see.

The banks lend money to the government. Every up-to-date capitalist government must have a "National Debt", that is, a debt

* The formal rate of interest during most of 1934 was two and a half per cent, but owing to the fact that interest is not paid on many accounts, the actual interest paid by the banks was probably less than two per cent.

that is never paid off. Instead, the government pays huge amounts of interest each year to banks, insurance companies and other monied groups, who purchase government bonds — which is the same thing as saying to those who lend the government money. In 1934, the banks alone held 700 million dollars in government bonds. The government usually pays a low rate of interest, except, for instance, in war time when the profiteers have a picnic. On the other hand, the government rate of interest is always larger than the rate which the banks pay to savings depositors. Only a few months ago when the Dominion government wanted to raise money at 2¾% instead of 3½ to 4%, the banks cut the rate of interest on savings first from 3% to 2½% and recently to 2%. The banks are not in business for nothing.

The great sacrifice of profits which the banks make when they lend the government money* is balanced off by a political influence which no other economic group in the country has. While the masses are told nothing of the inner workings of the government, it is now common knowledge that the major policies are laid down by and for the bankers. The annual budget, taxation, relief, tariffs, all these fall within the scope of the bankers. No important bill is ever passed without the bankers being first consulted.

The political power of the bankers has been especially pernicious these last few years, in the municipalities. Heavy relief expenditures has called forth the wrath of the lords of money and in many cases, they have dictated terms to the city fathers. Many of the towns in the neighborhood of Windsor have suffered such a fate and at the time I write, an Eastern group of bankers is trying to impose heavier taxation burdens on the City of Vancouver as a means of protecting their investment in Vancouver bonds.

Not the least important function of the banks is playing the stock market. Their representatives are at work in every one of these gambling pits and they play for high stakes. The bank reports for 1934 show that the Canadian banks own stocks and bonds (not including Dominion and provincial bonds) amounting to 176 million dollars. But this huge sum of money is not their only weapon in the stock market. Most of the funds with

* In reality, nobody else would want to borrow so much additional cash.

which brokers do business are borrowed "on call"—that is, the banks may call in the loans on 24 hours' notice. On September 30, 1934 the Canadian banks had call loans outstanding in Canada amounting to 101 million dollars and in the USA 113 million dollars.

These two items, the securities owned by the banks and the call loans, make the banks a mighty force on the stock exchanges. Many a company has passed into the hands of the bankers after being smashed by an attack on the stock market and many a merger has been forced by the bankers by means of stock market manipulations. Just recently, complaints have been made that financiers have seized control of the Dominion Steel and Coal company by means of stock manipulation. For a long period, the company's shares which originally sold for $100 each, were quoted at $7 per share. Those who lost money, eventually had to sell their shares; now it appears that the shares have mostly passed into the "proper" hands and they are now being quoted at $140 a share! We cite this as an example of the many fraudulent "deals" that are carried through on the exchanges. Those who would like to study them in detail should read Upton Sinclair's "William Fox."

The bankers, as the leaders of their class, naturally know a few things about the exploitation of labor. Most tellers start on a salary of about $50 a month. The writer is familiar with one case, in particular, which is typical of the conditions prevailing in all Canadian banks. This man is about 25 years of age and works as a teller in the head-office branch of a Toronto bank. He has been working for the bank four years and now receives $60 a month. He is forbidden to marry, until and if, he becomes an accountant, which may not be for several years. He is liable for all shortages of cash.

General working conditions are not as pleasant as appears from the outside. The day starts at 9 a. m., and ends normally between 5 and 6 p. m. Often, when the books have to be balanced, the clerks work late into the night. No overtime is paid and no thanks are given.

Despite these conditions, there is as yet little evidence of class consciousness among these workers. Suffering from the

"promotion phobia" that is characteristic of most white-collar workers, bank employees are under the additional handicap of working for tremendous organizations which overawe the average worker. Organization in this industry would be extremely difficult but it is possible. The possibility, however, is dependent upon the development in Canada of a country-wide organization campaign such as took place in the United States under the NRA.

From the enormous business the banks transact with other people's money come large profits. It would be very strange if this were not so. The banks pay only 2% on savings while they receive 5% to 7% on commercial loans, about 3% on government loans, and 4% to 6% on loans to municipalities. In addition they reap great profits on the stock market because the banks are able, to a certain extent, to control the price changes. Wages in all banks are extremely low. Naturally, therefore, profits are high.

In 1932, the nine most important banks in Canada showed net profits of almost $21,000,000, while in 1933, net profits were $18,354,000. In order to really appreciate these figures, the reader must realize that the huge salaries and directors fees paid to the higher-ups are counted as expenses and do not form part of the figures given. Salaries of these men range as high as $50,000 per year.

Big profits mean big dividends. The bank of Nova Scotia pays $12 per year on each share of its capital stock, while none of the other banks pays less than $8 per share.

Yes, banking in Canada is a great game. The man with money can invest in one of these great institutions and the government will give him an absolute guarantee of profits. The savings of the nation go to the banks for a pittance and numerous channels of making profits are opened up by the government. The banks are assured a profit on government loans, they are given a great social instrument, money, to use for their own profitable ends and political policies are shaped to serve the banks before all other groups. The banks cannot lose. One might almost say that theirs is the country and everything in it. Not only are the bankers the chief profiteers but they are the rulers of the nation.

3
The Pulp and Paper Industry

CAPITALISTS have always been anxious to improve the technique of selling for, to them, goods that cannot be transformed into money are worthless. For this reason the scientific and engineering achievements of the past century have been used to assist not only in the production of commodities but also in their sale. When the US began to be a nation of importance in the industrial world, the telegraph, the steam railways and the steamship were already practical realities making possible a new army of salesmen — the daily newspapers and the countless magazines.

From about 1900 onwards, the columns of the press became the super-salesmen of the fast-growing American business octopus. Every town and hamlet had its newspaper. Every big city published magazines of varying descriptions. All had one thing in common — about half the space in each publication was sold to advertisers. It was advertising that paid the expenses and gave the publishers their profits. The desire for advertising contracts was the incentive to build up circulation to higher and higher figures. America was flooded with printed paper that carried to every corner of the continent the fateful warnings that "Four out of five get it" and that "B.O. will kill any romance".

Of necessity, the tremendous growth of newspaper and magazine publishing called for ever-larger supplies of paper. The pulpwood forests of the United States were rapidly depleted as one

mill after another was built to feed the insatiable maw of the American printing press. American capital looked elsewhere for supplies and found in the North, in Canada, a broad area of spruce and balsam admirably suited for the making of paper. Wall Street needed no coaxing. Financiers by the dozen packed their bags and rode into New Brunswick, Quebec and Ontario for the purpose of organizing new paper producing companies. Cheques began to flow across the border and an industry which had been developing only slowly for over one hundred years, suddenly felt the sharpest growing pains. By 1929 it was the largest manufacturing industry in Canada, representing a capital investment of over $685,000,000 and having a newsprint production capacity of three and one-half million tons per year. The industry actually produced in that notable year 2,725,000 tons of newsprint, or more than one-third of the total world production.

Such, in brief, was the growth of the Canadian pulp and paper industry up to 1929. Accompanying the expansion in the newsprint production was an increased output of book and writing papers, wrapping papers and box-boards, all the result of the rapid development of American economy. But newsprint remained king representing, on the average, about eighty-five per cent of the total tonnage production of paper products and about seventy per cent of the total in value. For this reason, the history of the pulp and paper industry has been, by and large, the history of newsprint.

We are now in a position to examine the processes by which this country's most abundant natural resource came to be controlled by the continent's leading financiers; to explain why this huge industry collapsed like a house of cards in 1928, at the height of capitalist prosperity; and to explain why the economic crisis of the past five years reduced the industry to bankruptcy.

The making of newsprint requires the erection of large mills in regions where proper kinds of wood and electric power are easily available. The mills themselves are expensive outfits, a single paper-making machine occupying a space of about 100 feet by 30 feet. In addition, the raw materials must pass through an elaborate chemical process with its numerous mixing tanks, boilers and presses — all very costly. There is another division of a pulp and paper mill that is equally important and that is the power plant. The chemical

processes and the huge machines require large quantities of electric power. Now, pulp and paper mills, because they are necessarily spread out across the forest areas away from larger cities, are compelled to develop their own power. The cost of power plants runs into millions of dollars. Add to these costs the money that has to be spent on equipment to bring the logs to the mill and it will be seen that the manufacture of paper *begins* in the field of *big business*.

That big business controls the pulp and paper industry from top to bottom, will be apparent to the reader when he sees the names of those who rule it.

The largest financial group in the industry is represented by the International Paper and Power Co. whose head office is in Boston but whose policies are planned in Wall Street. Among the company's directors are Albert H. Wiggin, a director of the Chase National Bank, the largest bank in the world, and Ogden L. Mills, a former Secretary of the US Treasury. And these men, who are financial titans in their own right, bow before the comands of one who is even greater, J. P. Morgan.

How much of the Canadian pulp and paper industry is controlled by the Morgan interests, it is impossible to learn from the published records, for they are not only incomplete but so complicated by vast arrays of holding companies and their subsidiaries that they defy analysis. It is certain, however, that of the $485,000,000 invested in the Canadian pulp, paper and lumber industries by American capitalists, by far the greater portion is controlled by the hoary master of Wall Street.

But no one should carry away the idea that the Canadian financial fraternity did not seize its share of the rich booty that their American partners-in-crime discovered in the forests of this country. They also were not lacking in aggressiveness as the following list of directors admirably demonstrates:

Consolidated Paper Corporation:

Hon. Charles A. Dunning, Minister of Finance in the Mackenzie King government and a director of half a dozen pulp and paper companies.

Ross. H. McMaster, president of the Steel Co. of Canada,

a director of Canadian Industries Limited, the Bank of Montreal and other companies.

St. Lawrence Corporation:

Noah A. Timmins, president of Hollinger Gold Mines, the second largest gold mine in Canada.

Howard Smith Paper Mills:

Sir Herbert Holt, former president of the Royal Bank of Canada, director of the CPR, and recognized chieftain of Canadian Finance.

C.L.Burton, general manager of the Robt. Simpson Co. Ltd., and a director of other companies.

The Fraser Companies:

Hon. R.B.Hanson, Minister of Trade and Commerce in the Bennett government.

Anglo-Canadian Pulp and Paper Co:

Viscount Rothermere, British newspaper magnate.

Sir Herbert Holt (see above).

To this list should be added the name of the Rt. Hon. R.B. Bennett as one who has been considerably enriched by the profits of the E. B. Eddy Co. Ltd.

The men whose names have been cited know all the tricks that are worth knowing about raising capital to finance big industries. In the case of the pulp and paper industry, they displayed, as we shall see, more than their usual skill.

Many years ago, financiers learnt that for the purpose of financing particular types of industries, bonds are an unexcelled instrument for raising capital. The purchaser of a bond is promised a fixed rate of interest on his investment, whether the company shows a profit or a loss on its operations. Moreover, the original investment is secured by a mortgage on the company's lands or factories. On the other hand, bondholders have nothing to say in the management of the company (except when the bond interest is not paid) and no matter how high the profits, receive no more than the rate of interest originally promised.

Financiers like to raise capital through the sale of bonds because in this way, millions of dollars can be procured without

releasing one atom of control to those who furnish the necessary capital. In addition, the aura of security that is built up around bonds, in contrast with common stocks, enables the financiers to attract hundreds of millions where it would not be possible to raise half as much through the sale of common stocks. The pulp and paper industry, with its great forest lands and huge mills and power plants, provided abundant mortgage security for seemingly attractive bond issues. In the decades when American capitalism was growing to a position of world leadership and Advertising was becoming a giant industry, the financiers saw in this industry the chance of a life-time. The bondholders nourished similar dreams which in later years were to become nightmares.

Favored by a rapidly growing market for newsprint in the United States, the financiers proceeded to populate the Canadian northland with power plants and paper mills.

The usual boom-time methods of financing were employed. If a company's assets were valued at $10,000,000, the financial experts would issue bonds and stock to the sum of 15 or 20 million dollars. (This is what is meant by "watered stock.") As a result, the industry was over-capitalized from the start. In addition, the silk-hatted money-men saw such wonderful opportunities for making fortunes at the expense of a gullible public, that they placed no limit on the number of pulp and paper companies the market could maintain. By 1924, there were so many in Canada, that a severe price-war developed.

At that time, newsprint was selling at $85 a ton and the paper companies were making large profits. But now the supply began to exceed the demand, as big as it was. By January 1925 the price of newsprint had fallen $7 a ton and this was only the beginning. The necessity of meeting huge interest payments on the hundreds of millions in bonds issued by the bankers created a fierce struggle for the newsprint market, each company striving to keep its plants working at capacity. The price was held fairly steady at around $75 a ton during 1926 and 1927, but in 1928 the long threatening storm broke. During that year, the price of newsprint fell three times to about $62 per ton. Profits dwindled to zero despite the fact that capitalism, on the whole, was enjoying the most prosperous period in its history. In 1928, the finan-

cial structure of the pulp and paper industry collapsed like a punctured balloon.

The worst was yet to come. Late in 1929, the capitalist world fell foul of an economic crisis from which it has not yet emerged. Capital values melted away, business volume dried up and millions of workers were deprived of their jobs. The pulp and paper industry, already in a state of collapse, was to be reduced to bankruptcy.

With the deepening of the crisis, the volume of advertising declined sharply, resulting in a reduction in the size of newspapers all over the continent and in the disappearance of many periodicals. In the period 1929-32, Canadian newsprint production fell between two and three hundred thousand tons per year. The price of newsprint, which had been falling before the crash, declined precipitously after 1930. By 1933, the quoted price had fallen to $42.50 per ton while, because of foreign exchange differences and other deductions, the manufacturers received on the average only $33.12 for each ton of newsprint shipped. The combined effect of a reduced demand and a lower price had slashed the total value of newsprint production from $151,000,000 in 1929 to $67,000,000 in 1933. In 1934, the price fell an additional $2.50, to $40.00 per ton or 57% below the 1924 levels!

The result, as has been said, was bankruptcy. At the time of writing, 5 of the 19 major Canadian newsprint companies are in bankruptcy or are being operated by a bondholders' protective committee while one, the Consolidated Paper Corporation, was reorganized following bankruptcy proceedings. These six companies control 6332 tons of a total daily rated capacity of 12,500 tons in Canadian newsprint machine installation. In September 1934, the Financial Post reported that "nine companies have loans and advances from the various financial institutions totalling over $27,000,000 while only a few have anything like an adequate working capital."

The rise and fall of the Canadian newsprint industry is but an aggravated expression of the chaotic industrial conditions that finance-capital has created throughout the entire structure of capitalist industry in the twentieth century. Actuated only by the desire to accumulate more and more wealth, the bankers of

Wall Street, Montreal and Toronto, ordered the construction of so many paper mills that even in 1929 unused capacity amounted to 22%; they financed these mills by selling hundreds of millions in bonds which imposed such a tremendous burden of interest charges on most of the industry that bankruptcy was inevitable. The same methods were employed on the Canadian and American railroads, in the Canadian and American power industries, in the American steel industry and in a host of others. Finance capital has aggravated the inherent contradictions of the system, intensified competition, hastened the development of combines, and has prepared society for more intense economic crises as the history of the pulp and paper industry during the past five years well demonstrates.

The bosses of the pulp and paper industry resorted, not only to price-cutting in order to stave off losses, but also to wage-cutting.

Between 1928 and 1932 the average yearly wage of pulp and paper workers was reduced from $1,282 to $984, a cut of over 23%. During the same period over 8,600 or almost 30% of the wage worker in the industry were deprived of their jobs. As a result of this attack on the economic position of the workers, the industry's wage bill was reduced in this five-year period from $38,500,000 to slightly more than $21,000,000.

The company officials did not visit upon themselves the sacrifices they so readily imposed on the wage-workers. The average salary in the industry, which was $2,485 in 1928 or twice the wage figures, had fallen to only $2,327 by 1932, a reduction which expressed as a percentage of the 1928 income, was only one-quarter of the cut forced upon the workers.

In 1934, when the pulpwood workers of Northern Ontario expressed their opposition to wage-cuts and unemployment by walking out on strike, all the forces of the state were used against them. The newspapers fought the strike with malicious lies that were limited only by the imaginations of the editors. The bogey of Moscow gold again stalked through the columns of the daily press. Attorney-general Roebuck sent provincial police into the bush. In the end, the strike was broken and the men had to take the wage-cuts.

The pulp and paper industry in Canada presents the picture

of a huge area of rich forest land squandered and exploited by the robber barons of Wall Street and St. James Street. It presents the picture of some 8,600 pulpwood workers out of work and of about 20,000 other workers forced to take a 23% reduction in wages because the robber barons over-expanded the industry to the breaking-point. It presents the picture of millions of dollars taken out of the pockets of an unsuspecting public and poured into the coffers of the wealthy through the medium of watered stock. The pulp and paper industry of Canada discloses capitalism in its truest outlines,—fraudulent, anarchic and ruthless.

4
Hydro-Electric Power

THE PAPER and power industries are blood brothers. Both are products of twentieth century capitalism, the two are technologically and financially related and both have provided the big bankers with an open field in which to operate. But, there are important differences, even as all brothers differ in some respects. The differences explain the collapse of the first industry and the relative prosperity of second.

The pulp and paper industry, as we have seen, is highly competitive but the power industry is essentially monopolistic. Each power company has its territory, something after the fashion of those bandit gangs that divided up the city of Chicago into a number of separate areas, each being the private preserve of a particular gang. The frequent machine-gun battles in that city were often nothing more than boundary disputes. So too, when Sir Herbert Holt was establishing the Montreal Light, Heat, and Power Corporation, he engaged in a running battle — using the gentler weapons of "legitimate" competition — with his rival John Coates, and drove the latter into bankruptcy. Of such struggles are monopolies born.

The power industry is capitalism in its most modern form. The number of workmen employed is small but the investment in fixed capital is tremendously large as compared with most other industries. Hence electric power is a game for big bankers only

and hence also the trend towards the monopoly form of operation. Having established central electric stations and power lines, the bosses of the industry are quick in learning that their profits will be greater if a whole city or district is served by a single company. And anyhow, three lines of poles on each side of the street would look so ugly! Once competitors are eliminated, power rates are set according to the hallowed capitalist rule of charging "what the traffic will bear." Result — the original shares of Holt's Montreal power monopoly are worth more than eleven times their issue price.

The electric power industry is a "public utility" by which is meant that, owing to the technical nature of power production and delivery, it is most profitably operated under the monopoly form and second that electricity is in almost universal demand in advanced countries. This has led, in some parts of Canada, to so-called "public ownership" in the power industry. The Hydro Electric Power Commission of Ontario is the largest single producer of electricity in this country and government commissions control the industry in a number of other regions. While rates are generally lower where government control prevails, it is a great mistake to call this socialism. The governments are capitalist, the commissions operate on a capitalist basis and the relations between boss and worker are the same here as throughout the capitalist system. Under socialism, the working class controls the industries, which is certainly not the case in the government-owned sections of the Canadian power industry. Socialism in a capitalist state is an impossibility.

Analysis of the industry as a whole shows that private corporations predominate. These generate more than 75 per cent. of the total Canadian power production and, in most provinces, are in complete control. Quebec is the stronghold of the private power magnates. Here, there is an intimate connection with the pulp aud paper industry and it is here, just as in that industry, that the financiers have enjoyed full scope for consummating their skilful deals.

The men in control are the same gang whose acquaintance we made in preceding chapters. Through a chain of amalgamations and holding companies, four corporations have risen to a

position of unchallenged leadership. The Morgan-controlled International Paper and Power Co. was mentioned in chapter 3. The Holt interests rule Montreal Light, Heat and Power Consolidated and Shawinigan Water and Power Co. The fourth company, Power Corporation of Canada is the child of Nesbitt, Thomson and Co., Montreal financiers. The four companies control well over a hundred paper and power enterprises, capitalized at more than a million dollars.

The stakes for which bankers play are high, that is well-known, but the actual figures will astound the worker who, at best, counts his wealth in single dollars. An examination of some financial history is here instructive.

Beauharnois is now a word to conjure with but the facts of the case will bear repetition. Almost a decade ago, the Ontario government placed several contracts for electrical energy in the province of Quebec. The Quebec interests who were after the business hired John Aird Jr. (son of the president of the Canadian Bank of Commerce) as their lobbyist and for his services in this connection, he received two payments amounting to $175,000. Having received the contracts, this same financial group proceeded to acquire the power plants required to generate the power ordered. Beauharnois Light, Heat and Power Co. was one of the units purchased for this purpose but before the generation of electrical energy could be undertaken, Dominion and provincial government authorization to power rights had to be secured. Again graft was distributed. The Liberal party, which was then in power at Ottawa, had its campaign chest enriched by $750,000 and other appropriate sums were distributed wherever some political oiling was found necessary. The deal was finally completed but, before Beauharnois was a few years old, the Liberal government was displaced by the Tories under R.B. Bennett.

One of the first acts of the new government was to expose the Beauharnois scandal. A government committee reported that the promoters of Beauharnois had benefitted to the extent of $6,189,000 of which $2,189,000 was cash profit paid out of money borrowed through the sale of bonds. It was apparent that the company was bankrupt.

In the sequel the financiers had to pay more respect to the niceties of the law but this disadvantage was outweighed by a more adroit manipulation of funds. The banks had loaned Beauharnois $24,148,000 and in order to get back this money, they compelled the reorganized company to borrow $40,000,000 through the sale of bonds. Montreal Light, Heat and Power Corporation "submitted" the plan of reorganization. It agreed to take up $13,500,000 of the new bond issue at $92.45 per $100 of bonds and was given the right to re-sell these at $95, thus being granted a commission of $344,500 for handling the issue. In return for this notable service, Montreal L. H. and P. was given 200,000 shares of common stock, assuring it control of the new company.

The original Beauharnois bondholders received $450 in new bonds and eight shares of common stock for each $1000 of old bonds held. Since the maximum value of Beauharnois common stock in 1933 was $8.50 per share, the original bondholders lost at least $482 per $1000 of investment.

Nobody went to jail as a result of the Beauharnois frauds, the banks got back all the money they had loaned the company, Sir Herbert Holt secured control of another "public utility" — and who footed the bill? Aside from the losses to bondholders, the stolen funds form part of the costs of power production which consumers are asked to pay.

Beauharnois is not an exceptional case. In 1934 the Quebec government appointed a commission under the chairmanship of Hon. Ernest Lapoint to investigate power rates in the province. The commission found that rates were generally higher than justified by the costs of generation and it pointed to stock-watering as one of the reasons. The relations between the Canadian Hydro-Electric Corporation and the Gatineau Power Co. were singled out for special attention.

The commission reported that the actual development of the Gatineau Power Company has been financed entirely by bonds sold to the public. Accordingly there was not a single cent in real assets behind the $30,000,000 .n stocks issued by the Canadian Hydro-Electric Corporation on the basis of its interest in the Gatineau Power Co. In addition, the company sold some properties to subsidiaries (that is, to companies it controlled) and some of its own shares to its parent

company, International Hydro-Electric Co. The profit on these deals amounted to $6,690,000. On top of this, the promoters of these negotiations collected for their services, $7,180,000. And then it appears that the promoters were none other than the Canadian Hydro-Electric Corporation itself! The Lapointe commission concluded that the capital structure of this company was "watered" to the extent of $43,870,000 in a total capitalization of $56,370,000.

To find the culprit in this deal it is necessary to unravel the tangled skein of holding-company finance. Gatineau is controlled by the Canadian Hydro-Electric Corporation which is controlled by the International Hydro-Electric Co. which in turn is controlled by the International Paper and Power Co. of Massachusetts. The reader will recall that the latter is a J.P.Morgan enterprise. Thus the winding paths of the labyrinth lead finally to the chamber of the Minotaur.*

Where does all this money come from? Besides the millions stolen from bond and shareholders, large sums are realized through the exorbitant rates levied in the areas where the power bankers rule. The following table of comparative rates offers sufficient proof of this.

5 horse power	—for 50 hrs.	—for 200 hrs.
ONTARIO (gov't control)	$	$
Orillia (lowest Ont. rate)	3.56	6.75
Timmins (highest Ont. rate)	10.58	27.38
Hamilton	6.57	8.66
London	5.77	8.12
Toronto	8.14	10.50
Windsor	7.22	10.33
QUEBEC (corporation control)		
Ste. Agathe (lowest Que. rate)	5.17	16.94
Rimouski (highest Que. rate)	18.65	26.51
Montreal	10.28	16.21
Quebec City	10.90	14.64

* **"Minotaur — fabulous monster, half bull, half man. fed with human flesh" —Concise Oxford Dictionary**

Analysis of the power industry brings to light another aspect of Canadian Big Business of which few people are aware. It is common knowledge that large sums of American and British capital have been invested in Canadian industries but it is not so widely known that Canadian investments outside the country amount to about two billion dollars. Loquacious patriots who are always urging the worker to buy "made in Canada" somehow have never been able to reconcile the so-called welfare of Canada with a profit differential that favors investment in other countries.

A large proportion of this exported capital is invested in foreign power companies, located in strategic centres of Central and South America and parts of Europe.

The International Power Co. Limited has subsidiaries in Newfoundland, Bolivia, British Guiana, Porto Rico, Salvador and Venezuela. The boss of this cosmopolitan concern is I. W. Killam, owner of the Mail and Empire, Toronto's blue-blooded Tory journal. In Mr. Killam is thus represented a purely Canadian holy trinity, paper, power and press,—the first two rake in the cash, the third ennobles the cash with timely lectures on the virtues of the profit system.

Foreign Power Securities Corporation, a Nesbitt and Thompson company, owns an interest in sixty-two public utilities operating in France and Madagascar.

Brazilian Traction, Light and Power Co. Limited operates, through subsidiaries, the street railway. electric light and power, gas and telephone services in Rio de Janeiro and neighboring towns. The company's head office is in Toronto and among its directors are Sir John Aird, Sir Thomas White and D.B. Hanna, a trio of banker-capitalists of no small means.

The same group controls the street car and power services in Mexico City and Barcelona, Spain.

A cursory study of the financial records of these companies reveals that the natives of the far-flung regions serviced by Canadian-controlled public utilities pay none too cheaply for the blessings of modern civilization. In the four years, 1930-33, the Brazilian Traction Company reported net profits of almost $35,000,000; in the three years 1930-32, the Barcelona company made profits of over $5,500,000; the

International Power Co. reported net profits of about $3,000,000 for the same period. The full significance of these figures is appreciated when it is realized that they apply to a period of world crisis.

In this and the preceding chapter some facts concerning the industrial operations of finance capitalists have been presented. Obeying the only laws they know, the laws of profit-making, the bankers were compelled by the conditions of production and sale in the pulp and paper industry to engage in a ruthless competitive struggle that brought about the collapse of the industry. The power business is different. Here it is possible to operate on a monopoly basis and moreover the customers, being for the most part householders, are at the mercy of the power chiefs. The result was not bankruptcy but profits that are counted in millions. Stock-watering, fraud and out-right thievery all played a role in the amassing of these funds. The industry continues to "prosper." The capitalist class is not deeply troubled by the methods employed so long as the cash comes in. Let the bankers steal, let them charge exorbitant rates, let them duplicate their vicious system in far-off Brazil or Spain, it matters not so long as the chairman of the board of directors can say, "Your directors take pleasure in presenting the report of operations for the past year. Net profits were umpteen million, a considerable improvement over the past year."

What does the worker on relief think of such prosperity?

5
Two Big Companies

IN THE PRECEDING chapters, a picture has been presented of four of the biggest industries in Canada. But the picture of Big Business is composed not merely of the leading industries. There are many fields of economic activity which, as industries do not stand in the vanguard but which, nevertheless, are dominated by some of the largest corporations in the country. The steel and oil industries, for example, are not among the leading Canadian industries but the Steel Company of Canada Ltd. and Imperial Oil Limited are iudustrial titans in their own right. The existence of such companies, in a country with as small a population as Canada's, is a result of the extremely rapid concentration of capital that has characterized the growth of capitalism in Canada since the beginning of this century. In order to demonstrate by what methods these huge aggregrations of capital have been formed, a short history is here presented of two companies that fall into the category mentioned.

1. THE FORD MOTOR CO. OF CANADA LTD.

IN THE CITY of Detroit, many years ago, Henry Ford planted the seed of a revolution in transportation when he invented an internal combustion engine which, when mounted on a carriage fitted with the proper rods and gears, became a self-propelling vehicle or "automobile". The revolution came into being when a method was

developed of manufacturing these automobiles in great numbers at low cost. The assembly line process was a necessary companion to Ford's invention. It divided up the work into a great many small tasks each of which could be performed by an unskilled worker whose rate of work was controlled by the timed motion of the assembly line. The skilled mechanic was largely eliminated, the process was speeded up to a point never before achieved, the worker was, in fact, enchained. Intense exploitation on a large scale was, and still is, the secret to the millions made by the owners of the automobile industry.

In 1910, Ford established a plant on the Canadian side of the Detroit River in order to get under the tariff wall. Here he introduced the methods of manufacture so successful in the United States. Greeks, Italians, Czechs, Slavs, Poles and Britishers crowded the company's employment office in East Windsor seeking a little of that prosperity which immigration agents had advertised so widely and loudly in Europe. Aided by an ingenious process of exploitation, a large supply of workingmen and a government willing to do anything for the founders of a new industry, the Ford Motor Co. of Canada grew rapidly. A number of years passed and the company had become a great organization with its centre in East Windsor and branches in almost every part of the British Empire.

In New Zealand, Australia, India, British South Africa, Federated Malay States, Newfoundland and North Borneo, separate Ford Motor Car companies were formed but all were, and still are, controlled by the company at East Windsor. The parent company sold its products to the subsidiary companies at prices which included a substantial profit. The branch companies took a profit on their sales and thus were able, at the end of each year, to remit to East Windsor dividend cheques of respectable proportions. The East Windsor company added these to its own profits and the result was usually a figure that ran into many millions of dollars. And thus was built the house of Ford in Canada.

The methods by which the company has reached its present size are vividly suggested by the sharp contrast between the wealth of the company and the miserable poverty of the workers of East Windsor. At the beginning of 1932, 7498 persons or 52 per cent. of the entire population were on government relief.

Most of this number had almost completely exhausted their resources before going on relief. No other city or town in Ontario had, at that time, as many unemployed as East Windsor. Misery and actual starvation stalked through the homes of the workers, but in the same locality, on the same date, was a company possessing a profit surplus of more than $24,000,000. The Ford directors set aside not a cent to support the workers they fired when sales declined as a result of the economic crisis, but, out of the profits of previous years, they were able to create a reserve of $3,250,000 as protection against a decline in the value of the company's investments! This reserve was additional to the surplus already mentioned. Not a cent was set aside to pay the medical expenses of the human instruments employed by the company but each year, depression years included, earnings were sufficient to enable the directors to set aside almost $2,000,000 to provide for the depreciation of the mechanical instruments of production. The machines, being owned by the Ford Motor Co., were well provided for but the workers, being free men, were given the alternative of fighting for relief or starving. During the past five years, they have done plenty of both so that East Windsor is to-day a militant proletarian centre.

The widely advertised policy of high wages in Ford plants stands exposed as a myth against the very real fact of poverty that swept over East Windsor with the first blasts of the depression. The story of Ford in Canada is a tale of intense exploitation of workers resulting in a vast accumulation of profits equalled by few coporations anywhere in the country.

2. CANADIAN INDUSTRIES LIMITED

EVERYONE will remember that the period 1910 to 1914 was marked by hasty war preparations, by a world-wide armaments race. These events brought into being in 1910 a company known as Canadian Explosives Limited whose chief products were cartridges and explosives. War preparation brought profits almost immediately to the new company and in 1912 the first dividends were declared, 7% on the preferred stock and 2% on the common stock. Then came the war. Those imaginary widows who scrimped and saved to invest

Harold J. Michell of London Eng., both associated with Imperial Chemical Industries; and lastly a group of Americans connected with the du Pont Co. Review these names and you will see how the war industries, steel, transportation, and not the least important, finance, are all intimately associated with the chemical trust. These capitalists know in which direction their interests lie. On the board of directors of CIL alone, we can see how all the basic industries of Canada are closely controlled by a small group of men. A study of the board of directors of other large corporations reveals the same close, compact control. The consolidation of industry has delivered the economic life of the country into the hands of a few wealthy and powerful capitalists.

6

Base Metal Mining

FOUR companies dominate the production of nickel and base metals in this country. They are International Nickel Co. of Canada, Consolidated Mining and Smelting Co. of Canada, Hudson Bay Mining and Smelting Co., and Noranda Mines Ltd. Their combined assets amount to $313,000,000 of which International Nickel owns $202,000,000 and Consolidated Mining and Smelting Co. $47,000,00.

These are the giants of Canadian mining and they occupy no small place in the broad picture of Canadian industry. Their importance to the capitalist class is well illustrated by the names of the dictators. Beatty, Holt, McMaster, R. C. Stanley, W. A. Black, and Sir Charles Gordon are among the directors of Consolidated Mining and Smelting and International Nickel, with the latter boasting, in addition, an impossible array of American financiers and betitled Englishmen (Mond group).

Noranda Mines Ltd. is governed by a somewhat less prominent roster of directors but James Y. Murdoch, F. M. Counell, A. L. Ellsworth belong to that same exclusive Fraternity we call "High Finance" of which Holt, Beatty, Gordon, and Black are such distinguished members.

Hudson Bay Mining and Smelting alone presents a new set of names. How is it that the big guns of Canadian finance have allowed one of Canada's biggest mining operations to escape their grasping hands? The truth is that Hudson Bay Mining and Smelting is

controlled by the bigger financiers than Holt or Gordon — namely, Cornelius V. Whitney and the Newmont Mining Corp. of New York, agents of J. P. Morgan and Co.

Add four more companies to the list already presented and we have a fairly all-inclusive group of the Canadian producers of nickel, copper, lead and zinc. These companies are Falconbridge Nickel Mines Ltd., Howe Sound Co., Granby Consolidated Mining and Smelting, and Sherrit Gordon Mines Ltd. There will be occasion to refer to these companies as we proceed with our analysis.

The following table gives some essential facts about the major base metal producers with which the rest of this chapter will be concerned.

International Nickel of Canada
—owns 26 nickel-copper mines located near Sudbury, Ont. Produces 75% of world's nickel, more than half of Canadian copper output and large quantities of gold, silver, platinum and other metals.

Consolidated Mining and Smelting
—controlled by the CPR
—owns more than a dozen mining properties, located chiefly in British Columbia, including the famous Sullivan mine, one of the world's largest producers of lead and zinc and Canada's largest silver producer.
—operates large smelter near Trail, B.C.

Noranda Mines Ltd.
—Owns large copper-gold-silver mine and smelter at Rouyn, Que.

Hudson Bay Mining and Smelter Co.
—Owns a copper-zinc-gold-silver mine and smelter at Flin Flon northern Manitoba.

Falconbridge Nickel Mines Ltd.
—operates a producing nickel-copper mine at Falconbridge Northern Ontario and a metal refinery in Norway.

Granby Consolidated Mining and Smelting.
—owns a copper-silver-gold mine and smelter at Anyox B.C.

Howe Sound Co.
—holding company which, through its subsidiaries, operates gold, silver, copper, lead and zinc mines in British Columbia and Mexico.

Sherritt Gordon Mines Ltd.
—owns a copper-zinc-silver-gold mine and concentrator at Sheridan northern Manitoba.

The economic crisis brought both losses and profits to the Canadian base metal producers. When the crisis came in 1929, capitalists, throughout the world stopped building new factories and reduced their purchases of machinery to tiny proportions. As a result, the market for copper, lead and zinc disappeared over-night and stocks of these metals began to pile up in all countries. Prices fell drastically. Copper declined from about 18 cents a pound in 1929 to less than 7 cents in 1934: lead from 5.05 to 2.39 cents; zinc from 5.38 cents to 3.21 cents. The situation was aggravated by the fact that these companies whose ore contained substantial amounts of nickel and gold as well as the base metals went right on producing so as to realize the profits from the sale of nickel and gold for which there was a good market.

The companies which depended chiefly on the production of copper, lead and zinc lost heavily. Sherritt Gordon Mines Ltd. shut down its plants in June 1932 and they are still closed. Granby Consolidated lost over $4,500,000 between 1934 and is now permanently shut down.

Consolidated Mining and Smelting reported a profit of nine million dollars in 1928 but lost almost four million in 1931 and 1932. It did not suffer Granby's fate because of large surpluses accumulated before the crisis and because it was able to reduce its losses by drastic wage-cuts. The 1932 operating expenses were about 35 per cent less than in 1928 although its scale of operations was curtailed by less than 12 per cent. Smelters re-entered the ranks of the large profit-makers in 1933 and has increased its profits up to the present time.

The capitalist crisis was much kinder to the other base metal producers. The 1931 monetary crisis lifted the price of gold from $20.67 to $35.00 an ounce, ushering into Canada not only a new gold mining boom, but bringing a new era of prosperity to the base metal producing corporations which had the good fortune of owning ore bodies in which gold was present. For Noranda Mines Limited the rise in the gold price offset completely the 62% decline in the price of copper. Thus, in 1934, Noranda's profits reached an all-time high of

$4,979,374 despite the startling fact that it produced about 4600 times as much copper by weight as gold. In the same year, the Noranda miners struck for higher wages. Provincial police were brought in by airplane, the financiers who control the mine stirred up a vicious anti-Red campaign and, as a result, twenty of the "foreigners" were sentenced to two years in jail, to be followed, for many of them, by deportation. "Foreigners" are highly prized, it seems, as creators of value but become veritable fiends when they demand a living wage. The smashing of the workers' attempt at unionization is not unrelated to the still higher profit of $5,987,559 reported by the company for 1935.

To International Nickel and, to a less extent, to Falconbridge Nickel, the crisis brought profits by a different route. The drastic fall in profits throughout the capitalist world after 1930, intensified imperialist rivalries to the point where another world war is inevitable. At this moment, Great Britain, France, Germany, Italy, the United States and Japan are engaged in vast programs of armament construction in their army, navy and air force divisions. What this has meant to the International Nickel Company (which controls 95% of the world's known nickel deposits) is evident from the record of its nickel sales during the past four years:

1932	34,406,953 lbs
1933	74,356,969 lbs.
1934	91,429,554 lbs.
1935	129,850,207 lbs

It is true that the "peace time" uses of nickel have been expanded in the past ten years but it is also true that the rapid growth of the world's armament industries in recent years has so enlarged the nickel and copper sales of the International Nickel Company that its profits are at the highest point in the company's history. The profit figures show the following remarkable growth:

Net Profits, International Nickel Co. of Canada Ltd.

1933	$9,662,584
1934	$18,487,478
1935	$26,086,527
1st 6 months 1936	$17,700,000

Not in vain does the company maintain "sales promotion offices" in New York, London, Paris, Frankfort-on-Main, Milano and

Tokio. Nor is it strange that the leading financiers of Canada, the United States and Great Britain take a particularly keen interest in the welfare of this backwoods industry.

The armaments race is bringing profits not only to the nickel producers but to the entire base metal industry. In an article entitled "Canada, World's First Shipper of Base War Metals," the editor of the Northern Miner boasts that:

"Canada is a brimming reservoir of non-ferrous materials that men need to fashion engines and devices of war ... We produce copper, from which can be fashioned the fuse caps and driving bands of shells; we produce lead, from which can be made bullets and battens; we produce zinc, needed for barbed wire and galvanized iron shelter sheets; we produce nickel, needed for armor plate and gun forgings ....Steel and iron alone exceed these metals in tonnage employed in making the means of destruction."[1]

We are not among those who believe that armament makers are the cause of imperialist wars. These are brought about by the fundamental contradictions of the capitalist system as a whole. It is the irresistible drive for profits and capital accumulation which leads the financiers of the imperialist nations to set the masses of their respective countries at each others thoats. We do insist, however, that the groups which control the war-materials industries are particularly loud-speaking exponents of war. In this respect, they are the most sinister section of world finance-capital.

7
Gold Mining

GOLD MINING is being hailed as the industry that is lifting Canada out of the depression. However much we may smile at the rantings of these enterprising press-agents who proclaim the passing of the depression in the face of about a million and a half people on relief, the fact is that without the gold mining industry, the capitalist class of this country would be flat on its back. The wheat industry is in collapse, the pulp and paper industry is losing millions annually but gold mining prospers.

The peculiar nature of this industry gives emphasis to the importance of gold mining to the capitalist class. The price of gold is fixed at $35 an ounce and there is always a ready market for it, the product of all gold mines being purchased by the Ottawa mint which then sells it in Washington or London. Accordingly, stocks of the metal do not accumulate in warehouses after the fashion of other commodities like wheat or shoes which are purchased out of the earnings of the workers. Periodically the volume of consumption goods flowing into the market so greatly exceeds the earnings of those who buy these goods, that capitalist society is plunged into a crisis. When this happens, the capital goods industries iron and steel, machinery construction etc., come to a dead halt because what is the use of putting up factories when there is no one to buy the goods manufactured in them? But the gold mining industry is different. It does not produce capital goods but buys them. It does not produce

consumption goods but distributes wages and dividends, a large part of which is spent on consumption goods. It is a reflection upon the nature of capitalist society that an industry which is almost entirely useless, so far as the every day needs of man are concerned, should be, to use bourgeois jargon "the ideal industry for recovery."

Since the war, gold mining has been growing steadily in importance and during the past three years has become one of the big industries of Canada. The extension of transportation facilities into the rockbound Canadian north enabled prospectors to scour the so-called Cambrian Shield for precious metal. Thousands of prospectors trekked through the north, millions of dollars weekly spent on development work and the result was a new industry with the opening of the mine, the face of the north country was changed. Where formerly stood forest, to-day are the towns of Rouyn, Kirkland Lake, Sudbury, Timmins and Flin Flon. The mining industry transformed Toronto into a metropolitan centre.

The development of gold mining was accompanied by much more, however, than the establishment of a number of mines and a string of towns. It brought with it wild orgies of speculation, fraud on a tremendous scale and fortunes for a few individuals. The reader will understand how it all happened, if we trace the development of a typical gold mining community from its earliest stage.

With the news that a prospector has struck gold, there follows a "rush" into the district. Fortune-hunters from all parts of the country make their way to the new gold camp and stake their claims. The prospector then comes down to Toronto and approaches financiers for money to develop the property. If the public is buying gold stocks and the claims are located in a popular field, they take up the offer and proceed to form a company. The Richquick Gold Mining Co. is duly incorporated with an authorized capital of 3,000,000 shares, half of which are given to the prospector for his claim. In reality, the prospector gets much less, for the promoters make a secret agreement whereby he turns over to them a million shares at a nominal price, as a bonus for their financial assistance. The money-men now get busy. They buy 500,000 shares from the Rich-quick Gold Mining Co. at ten cents a

share and then advertise these shares for sale to the public at thirty cents each. In their advertisement appears the following innocent statement:

"The underwriters (read promoters) having made a commitment to the company, the proceeds of the sale of these shares will not go into the treasury of the company whose shares are sold to you."

All of which means that the promoters receive thirty cents a share and turn over one third of this amount to the newly formed company. The remainder stays with them.

Hundreds of gold mining companies have been financed in this manner with many receiving much less than one third of the money paid for stock by the investors. This helps to explain why it is that of about 3500 gold mining companies listed in the 1935 edition of the Canadian Mines Handbook, less than 100 are, at the present time, producing gold. The reason is simply that in many cases, the company treasury is exhausted after two or three months' work has been done although it requires anywhere from three to four years to prove up a mine.

The process does not stop with the first issues of shares to the public. Work begins on the property and meanwhile the promoters get busy building up "a market" for the stock in preparation for a second issue at a higher price. Stock salesmen relay glowing reports of the development work to their customers. All devices are employed to lure the suckers into the gamblers' net.

Where the more vicious type of stock promoter is at work, the results are often disastrous to thousands of people. Cases of racketeering are not isolated examples of gold mine financing; on the contrary, racketeering is a permanent feature of the gold mining industry. The saying that more gold is mined on Bay Street in Toronto's financial district than from the northern mines contains more than a small element of truth. It is a phenomenon entirely to be expected under a system that legalizes such gambling and which provides organized market places, stock exchanges where the crooks may carry on their activities within the confines of the law. There is a bitter condemnation of capitalist society in the admission of John M. Godfrey, Ontario Securities Commission, that there was no law to prosecute J. H. Hirshom, a Toronto mine promoter who manipulated the price of Gunner Gold Mine stock up to $2.48 a share and then down to

50c. a share making a large profit on both the rise and fall. It is a crime to steal a few paltry dollars but when the loot is counted in hundreds of thousands it becomes lawful financing.

Continuing with our history of the Richquick Gold Mining Co., we shall assume that it is one of those few lucky organizations which find gold ore in commercial quantities. At the end of two years spent in opening up the mine underground, a milling plant is purchased and the smelting of gold ore begins. During this time the financiers back of the issue have not been idle. As the news percolates into the market telling of new ore discoveries, they push up the price of the stock to higher and higher levels. Everybody is gambling on the prospect of other investors paying a higher price for stock at a later date. This opens up grand opportunities for stock manipulations which divert more and more dollars into the pockets of the promoters. By the time Richquick Gold Mining is in production, the stock is selling at $2.00 as compared with 30 cents paid by the original investors and 10 cents by the promoters.

Now who in the last analysis, is going to provide the profits garnered by the promoters and speculators generally? Where the mining property fails to become a mine, the investors lose heavily, their money going to the financiers and to those who provided labor power for a useless mining venture. Where the property becomes a mine, the profits come from the gold-bearing rock. Valueless in the ground, the gold is brought to the final brick form by miners and metallurgists hired for wages, and in this form is sold to the government at $35 an ounce. Exploitation now assumes the prevailing capitalist form.

The management of the Richquick Gold Mining pay their men $25 to $30 a week (wages are high in the gold mining industry) and take unto themselves the gold mined by their employees. The rate of exploitation varies from 100 to 1000 per cent. which accounts for the tremendous rates of profit shown by the producing gold mines. The surplus value accumulated by the company is used for mine expansion, executive salaries and dividends to shareholders. As the dividends rise, the price of Richquick stock advances, usually selling at from ten to fifteen times the yearly dividend.

This has been the history of the Canadian gold mining industry. Out of thousands of companies organized to search for gold, there are in Canada to-day about 100 producing mines Seven of these dominate the industry, producing in 1934, 71% of the 100 million dollars worth of gold mined. The fortunes that have come from the ground have gone to a small group of individuals, some of them mining men and some of them financiers who by their monetary power have seized controlling positions in the industry. To this latter group belongs J. P. Bickell, president of McIntyre Porcupine Mines, Jame Y. Murdock, president of Noranda Mines and Julet S. Bache, president of Dome Mine. Prominent financiers are on the directorates of all of the bigger mines with the possible exception of Lake Shore Mines.

The last-mentioned company owns the largest gold mine in Canada and has made its president, Harry Oakes, the richest man in Canada. His fortune is estimated at $100 millions and he receives each year in dividends over four million dollars. The gold mining industry in Canada has created about a dozen more millionaires but the great majority of those who work in the industry receive not more than enough to get by on.

While it is the prevailing condition under capitalism that the wages of workers provide at best only a decent standard of living the workers in the gold mining industry are an unusual type. Most of those employed in mine-finding or prospecting are infected with an illusory "get-rich-quick" psychology. In search of the elusive Eldorado, they spend years in the rough and rocky north, living through the greatest extremes of climate, their every activity bent towards striking gold. The fact that not one in a thousand prospectors is successful is no deterrent. The gambling instinct which this profit society breeds in so many of its inhabitants, is glorified by the gold prospector to the heights of romantic adventure. The illusion is nursed along by the press which, at intervals, prints highly colorful stories about the gold nuggets to be found at the scene of the most recent prospecting activities. As a result, the outlook of the prospector is that of the petty-bourgeois, struggling to lift himself into the capitalist class.

In the larger mines, the workers are of an entirely different type. Class lines are clearly defined with ths bosses displaying

all the characteristics of city factory owners and the workers performing their quota of hours each day for wages. Here we find on occasion an appearance of class solidarity. At Noranda Mine in 1934 and last year at the Pioneer and Branlorne mines in British Columbia the miners struck for higher wages displaying a miltancy rarely found in the precious mines. Needless to say, the bosses were not fuond wanting in protecting their own class interests and backed by the police, were able to resist the workers. At Noranda, James Y. Murdoch proved as agile a strikebreaker as he is a financier with the result that about a dozen miners were sentenced to two years in jail. Out in British Columbia, the bosses were not so fortunate and confronted with an unwavering solidarity among the miners, had to concede most of their demands. This strike in the BC Budge River area is the first encouraging sign of working class organization in the Canadian Gold mining industry. If miners in other parts of the country would follow their example, the Bickells and the Oakes would have to surrender some of their tremendous fortunes to the workers by whose toil gold is brought to the light of day.

The concluding paragraph in the history of the Richquick Gold Mines is written when, after years of mining and milling, the ore is used up. The directors wind up the company. the plant is sold or abandoned, and the mill buildings are left to the elements. The mine and plants having been written off, the company's assets are now in liquid form and are removed from the scene of operation by the simple expedient of transmitting cheques through the mails.

But there is one element of capital that is not so easily moved and that is the mining staff. Their homes established near the mine, the economic position of the workers is devastated by the exhaustion of the ore. The company has set aside no reserves to care for them because, under capitalism, the working class enjoys the doubtful privilege of freedom of contract. When the capitalists have no further need for them, they are cast on the scrap heap like discarded machinery. Unable to find employment in the district, they are compelled eventually to pull up stakes and try to begin life anew in some more promising region.

Within the next fifty years this will be the fate of such towns as Kirkland Lake and Noranda. The shops will close, the workers will

abandon their homes but capital will have made a safe retreat. Economic insecurity is the bogey of all workers in the gold mining industry.

8

The Labor Power "Industry"

ALMOST ONE-THIRD of the population of Canada, or slightly more than three million persons, earn their livelihood solely by the sale of their energy and ability to perform useful work. With their families, they comprise the majority of the population. Accordingly the picture of Canadian industry would be incomplete and without significance if it did not reveal the status of the working class.

The energy required to perform work is created in the normal processes of living which are not usually associated with production but this energy, or labor power, is just as much a commodity as iron or coal or anything else offered for sale. Its quality and the ability of workers to supply it when wanted are closely dependent on the living conditions of the workers and these, in turn, are a function of wages, housing, factory conditions, cost of living, etc. A review of the "labor power industry", if this term may be permitted, concerns itself, therefore, with an enquiry into the living conditions of the wage-earning class.

The whole structure of Canadian industry and the industry of every other country, would be paralyzed if wage-earners could not be relied upon to come to work regularly with renewed energy to be expended in the production of the more tangible commodities that satisfy the world's needs. Any large strike is eloquent evidence of the vital role of the working class. On the other hand, the capitalist system of production employs thousands of per-

sons who never once enter the realm of production, bankers brokers and salesmen, to mention only a few categories. That they are not vital to the production of commodities is shown by the fact that production continues even though their working time is being continually broken up by afternoon golf, special luncheons, fishing and hunting trips and extended summer and winter vacations. In a socialist society, where the profit motive will have disappeared, these gentlemen will have also passed off the face of the earth. Under capitalism, their bread and butter and their limousines too are created by those who toil in the factories or perform other necessary functions. A visitor from Mars who discovered how dependent are the non-producers (consisting of capitalists and those hired by them for the sole purpose of changing goods into money or money into goods) on the producers, would immediately conclude that the welfare of the "labor power industry", or of the working class was without a doubt, the chief concern of all society and that the wage-earners must be the happiest and most prosperous group in it.

As everyone knows, exactly the reverse is true. Under capitalism those who toil most enjoy least. The majority of workers spend the greatest part of their lives in monotonous and uninspiring labor and are rewarded, at best, with wages that permit a standard of living dryly described as "minimum health and decency." A large proportion are condemned to slum dwellings in dust-laden streets where disease and death strike with merciless frequency. The miserable pittances handed out as wages compel them to seek out the cheapest houses, the cheapest clothes and the cheapest food. In these things, the cheapest is generally the worst.

Actually, how much are the workers of Canada paid and how do their wages fit in with accepted standards of living? A review of the facts will, perhaps, succeed in jolting the complacency of those who love to prate about "our traditionally high standard of living" and what is more important, may succeed in arousing workers to action against those who impoverish them.

The most recent figures on wages that are at all reliable were collected by the Dominion government in the 1931 census. According to this report, the average wages of 1,948,500 male workers, ten years of age and over, during the twelve months preceding June 1, 1931 were $927 or $17.83 per week. While this figure cannot be

regarded as high, it is nevertheless an exaggeration of the income of the majority of male workers because it includes salaried employees whose income on the average, is far greater than that of the wage-earners. A table appearing in the 1935 Financial Post Year Book, prepared from census data, shows that the income of 1,100,000 workers in forty leading industries in the census year was only $812. Of this number, 480,974 were unskilled laborers with an average income for the year of only $480 or $9.23 a week.

528,538 female workers reported average earnings of $560 or $10.15 per week for the same period.

While the figures include many who were unemployed on June 1,1931 but who had worked during part of the census year, it is important that, the unemployed in Canada numbered 469,958. This number was to swell to almost a million in the following two years. The population of "unemployed households" must have reached at least three million during the crisis years 1932 and 1933. How pitiably small was the "income" of this section of the working class, compelled in increasing numbers to apply for government relief because of the rapid exhaustion of savings, saleable household effects and, let it not be forgotten, the resources of relatives, can be judged from the fact that 37,187 men employed on relief works in Ontario received in the eight-month period October, 1930 to May, 1931, average total wages of $86.32*. These wages had to be supplemented, of course, by direct relief but the latter was paid on a most miserly scale as the following statement indicates; "Since the direct relief offices made little provision for rents or bills, confining their work to the issuence of order for provisions and fuel, many families would have been in a most desperate position had it not been for the cash they received through relief works earnings." ** To such low levels were these workers reduced that they were saved from desperation by an average relief wage of $2.70 per week. Only those who were forced to exist on these pittances can know the meaning of abject poverty.

Under what conditions can people live with incomes as low as those received by the majority of Canadian workers? Reference will again be made to official government statistics. Each month, the

* H. M. Cassidy, "Unemployment and Relief in Ontario, 1929-32" p. 145.

** ibid, p. 147.

Dominion Department of Labour publishes a table of figures under the title, "Changes in the Cost of Living in Canada." These figures are based on "the principal groups of expenditures for workingmen's families in cities" and according to the description given by the Department. Characteristically enough, the index referring to the lower standard of living is the one most commonly used in arbitrating wage rates. We will hardly be accused of exaggerating the needs of a working class family if the same index is used.

In December 1930, the half-way mark for the year to which the income figures given above apply, the index stood at 151 which is equivalent to $1646 per year or $31.66 per week. The wages of the majority of male workers was less than half this figure while almost half a million unskilled laborers reported earnings that were little more than a quarter of the sum of money required to live on this most modest scale. Even granting that in many families there is more than one wage-earner, in the majority of cases there is only one. It is clear that the wages paid in Canada to most workers do not permit even "minimum health and decency." Rather they are reduced to the bare level of subsistence with many thousands actually below this level. It is these miserable wages that condemn so many workers to slums, malnutrition, make them easy victims of disease that sap their strength and bring on premature death.

The rulers of the economic destinies of the working class do not visit upon themselves the poverty they so callously mete out to their employees. In 1931, while in at least a million working class homes poverty was a constant visitor, 601 individuals enjoyed incomes of more than $50,000 each. Another 1045 had incomes ranging between $30,000 and $50,000. These, we may be sure, are the same individuals who daily occupy much newspaper space to promote industrial peace and to counsel the workers to moderate their demands for higher wages. However, when the vast inequality that exists in Canada is taken into consideration, it becomes clear that pleas for industrial peace originate chiefly among those who profit by it.

The poverty of the working class is not a natural phenomenon like the weather but a condition imposed upon it by the capitalist class. Nor is Canada unique in this respect. The world over, society has become divided into a relatively small class of wealthy capitalists and a majority of poverty-ridden toilers. Only a study of the functioning of the capitalist system can explain how this inequality is created and how it can be eliminated.

In his great work, CAPITAL, Karl Marx gave the world an analysis of the laws under which the present system of production, capitalism, operates. The goods we require to satisfy our needs take the form of commodities, that is, goods placed on the market for sale. These goods are produced by workers who sell their labor power to the capitalists. The necessity for doing so comes from the fact that subsistence is conditioned on the possession of money and the working class has no other means of getting money. The capitalists in the majority of cases, pay the workers as little as they will accept. Because they own the means of production and are protected in this ownership by law, and because there is usually a surplus of labor power on the market (the industrial reserve army of the unemployed), the capitalists enjoy a unique advantage which results in wages falling to the subsistence level and even below it, as the statistics given prove. Again because the capitalist owns the factory and the machinery, has paid for the raw material and has paid the worker his wages, he regards the total production of the worker as his own. Here too, his claim is supported by the existing laws. The prevailing technique of production being such as to enable the working class to produce in a day much more than is needed to keep it alive, this arrangement in the factory results in the capitalists acquiring a sum of commodity values that far exceeds their cost to him. Profits are thus created in the factory. When the goods are sold, the capitalist realizes his profit and so achieves the purpose for which he invested his capital. Thus under the capitalist system of production, those who produce the vast quantities of goods receive but a portion of them while a tremendous portion is appropriated by the capitalists by virtue of their privileged position in society as the owners of the means of production.

The process of capital accumulation is seen to have its base in the appropriation of "unpaid labor" in the realm of production. The methods employed by the capitalists to increase the unpaid labor to a maximum and to realize in cash the fruits of their exploitation involve the entire range of brutality, ruthlessness, fraud and outright robbery with which the preceding chapters of this study have been concerned. On a grander scale, the basic causes of economic crises

and imperialist wars are rooted in the harsh competitive struggle to which the system of profit-making gives birth. Individual ownership of the means of production clashes at every turn with the technically socialized processes of production and must be destroyed. The working class because it is the one that actually operates the system, is the only class that can accomplish this truly revolutionary change.

The taking over of society by the working class is the objective of the revolutionary movement. The great merit of Karl Marx, Friedrich Engels and the many great working class leaders who followed in their footsteps does not, however, rest simply in their clear enunciation of this objective. Of far greater importance was their development of the methods whereby society was to be transformed. It is from this point of view, that the political aspects of Marxism must, in conclusion, occupy our attention.

Examining the system of capitalist production in its entirety, Marx showed that the exploiters of the working class, the capitalists were able to retain their privileged position in society, despite the fact that they are in a minority of the population, by means of a well-organized system of repression. Through their police, law-courts, penitentiaries and even their armies, the capitalists are able to compel obedience to codes of laws that protect them in their expoitation of the workers. This system of force, known as the state, is buttressed by a vast propaganda machine consisting to-day of the daily press, the radio, the churches, the schools and frequent parades and demonstrations of solidarity with the existing capitalist institutions.

In the face of such a mountainous obstacle, how are the workers going to assume control of society? The conception is still quite widespread that the road to emancipation lies in the direction of securing a majority of working class delegates in parliament who will then utilize the state apparatus for the purpose of establishing socialism. Experience has proven, however, that this method leads only to an illusion of working class power. In realty, such governments as the German Social-Democratic (1919 to 1933), the British Labor Party government of MacDonald-Snowden and the present Popular Front government of Leon Blum left their working class principles behind them when they took office. Each in turn became the loyal servant of the capitalist class. When Marx concluded after the ill fated Paris Commune of 1871 that the workers cannot simply take

hold of of the capitalist state and utilize it for their own purposes, he was describing the tragic governmental experiences of the working class during the next 65 years. Marx declared, and history has proven it many times over, that the system of working class repression, the capitalist state, must be destroyed and its place taken by a working class state, (the dictatorship of the proletariat) if socialism was ever going to be built. The proletarian state is projected as a transitional weapon fashioned to meet the requirements of the working class during the period of the construction of socialism. As the social weight of the socialist sector in society grows, the enemies of the new society progressively disappear so that the need for the proletarian state progressively diminishes. In the words of Engels, the proletarian dictatorship "withers away" with the building of socialism.

If the workers cannot take power through Parliament, how then is this great change to be achieved? Again we return to the realities of capitalism and find that, because of conditions such as described in this study, society is continually torn by class strife. But the class struggle cannot be dissolved in pious tears for peace. On the contrary, it is created by the conflict of interests between the workers and capitalists. This conflict can only disappear when the working class becomes concious of the causes of its misery and wages the struggle for power. A struggle it will be because nowhere has a ruling class ever surrendered its privileges voluntarily. The task of the working class resolves itself therefore, into the task of developing its revolutionary conciousness and organizing its forces so that it can confront the capitalists with a more powerful weapon than its state organizations.

For this, the working class requires a special organization charged with the duty of preparing it for the struggle for power. Spontaneous action cannot succeed because the capitalists have a developed skill in diverting blind discontent into blind alleys. Trade unions are not adequate, as necessary as they are in the everyday battle for higher wages and better factory conditions. For, while they help to lift the working class out of a demoralized condition of dis-organization, their appeal is not a revolutionary one and, therefore, they are not prepared nor are all their members agreeable to assuming revolutionary tasks. The working class requires a revolutionary organization, consciously created for revolutionary struggle. The rev-

olutionary party is indispensable to the successful struggle for power.

There is not in existence to-day such an organization but, happily, it is in the process of construction. Reasons have already been given why reformist organizations (ballot socialists) cannot lead the working class to victory. For these same reasons the C.C.F. in Canada is doomed to failure insofar as it professes to be fighting for socialism. It lacks an understanding of capitalism, chains its followers only to those methods permitted by the capialists and therefore cannot hope to defeat capitalism. The Communist Party of Canada is a section of a formerly revolutionary organization but to-day is merely an obedient servant of the ruling clique in the Soviet Union who have lost all interest in the fight against capitalism. The Communist Party to-day defends "democratic" capitalism and thereby defends the capitalists of Canada because this country falls into the Stalinist "democratic" classification. And so, once again, the workers of the world are faced with the necessity of building a new revolutionary organization. In several countries, there are in existence revolutionary groups, small but significant, whose aim is the creation of a Fourth International. Further clarification of principles and methods should succeed in bringing many of these organizations together for the purpose of launching the new international revolutionary party.

The organization which sponsors this pamphlet, the League for a Revolutionary Workers' Party, was founded in 1934 for the purpose of actively participating in the work of establishing a Fourth International. Already creditable progress has been made but those who are closest to the organization, namely its members, keenly realize that much remains to be done. It is not too much to hope for that those workers who, through the agency of study, have acquired a better understanding of capitalism and the aims of the revolutionary movement, will resolve to assist in furthering the work of the LRWP. Because its program is the program of working class emancipation, we feel confident this hope will be amply realized.

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